



FAIRFAX COUNTY
PUBLIC SCHOOLS

Department of Financial Services

Office of Procurement Services
8115 Gatehouse Road, Suite 4400
Falls Church, Virginia 22042-1203
Telephone: 571-423-3550

MAR 03 2015

ADDENDUM NO. 1

TO: ALL PROSPECTIVE OFFERORS
REFERENCE: RFP2000001491
FOR: IRC Section 403(b) Tax Deferred Plan
CLOSING DATE/TIME: March 11, 2015 @ 2:00 P.M.

RFP MODIFICATIONS:

1. The referenced Request for Proposal has extended the closing date and time from Friday, March 6, 2015 @ 2:00 P.M. to Wednesday, March 11, 2015 @ 2:00 P.M.

RFP CLARIFICATIONS:

The following are responses to questions received via e-mail prior to February 20, 2015.

- Q1. Can you provide the vendor/carrier and product names of the 9 legacy ("frozen") plans and the amount of assets and number of accounts with each vendor?
A1. The information requested is not relevant to this solicitation process.
- Q2. Would FCPS accept a proposal from vendor to pay surrender charges from "frozen" plans to help transition the money to a new open architecture platform? If yes, could you provide the dollar amount of surrender charges associated with each plan?
A2. The "frozen" plans consist of individual contracts subject to surrender charges stated in the individual contracts. FCPS is not able to quantify the amount of surrender charges. FCPS would be willing to discuss options available during negotiations.
- Q3. Do you have a consultant involved in FCPS' investment menu decisions for each vendor? If yes, what is the name of consultant?
A3. Fairfax County Public Schools is using AON Hewitt as a consultant for the solicitation process. All decisions are made by Fairfax County Public Schools. Make sure to follow the guidelines in Special Provisions, paragraph 16.3.
- Q4. Are you anticipating any changes to the plan or the fund line-up?
A4. Reference Special Provisions, paragraph 5.1.u. for detailed information.

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- Q5. How long has FCPS been working with each of the current 403b investment provider vendors?
- A5. The current providers are the contract award recipients of the 2009 solicitation (RFP09-995675-73). Although one vendor has been in place for several years prior to 2009 as a result of previous solicitation process.
- Q6. Will you please provide a copy of your plan document?
- A6. FCPS' current plan documents are located at the following [website: http://www.fcps.edu/hr/benefits/retirement/403b/FCPS%20403\(b\)%20Plan%20Document.pdf](http://www.fcps.edu/hr/benefits/retirement/403b/FCPS%20403(b)%20Plan%20Document.pdf)
- Q7. Could we be provided with a copy of your Investment Policy Statement for your plan(s)?
- A7. The 403(b) does not have an Investment Policy Statement. It is FCPS' expectation that the vendor will offer a broad range of funds that allows a participant to diversify their account while minimizing investment risk and fees associated with the funds offered. The vendor should provide fund information to FCPS in an agreed upon format and timeframe that includes current and past performance, cost associated with the fund and consistency in the desired investment style.
- Q8. Can you provide a list of the publicly traded funds provided with their ticker symbols for each plan?
- A8. Ticker symbols are provided at the FCPS 403(b) vendor microsites, what can be found at: <http://www.fcps.edu/hr/benefits/retirement/403b/approved403.shtml>
- Q9. If the ticker symbols are not available, can you provide us the asset class, management expenses and revenue sharing of each investment option in the fund line up?
- A9. Ticker symbols are available on the microsites listed above. For the fixed accounts, the Great-West Portfolio Fund is in the Fixed Interest asset class with a ticker symbol of PORT. The TIAA Stable Value Annuity is in the asset class – Guarantee. Expenses/revenue share - .30 bps. The VALIC Fixed Account is in the Stable Value asset class. It does not have management expense / revenue sharing like a mutual fund. Every month VALIC declares and pays a stated interest rate.
- Q10. Are there any funds on a watch list or under consideration for removal? If yes, please provide name of fund(s).
- A10. At the present time, there are no funds being considered for removal.
- Q11. What is the current interest rate on the fixed or stable value account for each of the existing vendors? What is the minimum guaranteed interest rate for each?
- A11. Great-West Portfolio Fund is paying 3% and that is the contract floor rate. The actual rate that TIAA Stable Value participants are currently being credited with (until 6/30/15) is 1.70%. This represents the current Declared Rate of 2.00% applied to plans in the 1Q 2015. The minimum guaranteed interest rate for TIAA Stable Value for the first half of 2015 is 1.00% (prior to TIAA Stable Value Contract Fees). Current crediting rate for the VALIC Fixed Account is the standard rate + 0.25%. The standard rate for Feb, 2015 is 2.15%; FCPS' rate is 2.40%. The contractual minimum guaranteed interest rate is 2%.

- Q12. Does FCPS offer participants the option to elect a discretionary asset allocation advisory service using the existing funds in the current line up?
a. What is the name of the service?
b. If yes, what is the asset based fee schedule for this service?
- A12. FCPS does offer participants the option to elect a discretionary asset allocation advisory service.

Great-West - Advised Assets Group, LLC (AAG), methodology run by Ibbotson.
Managed Accounts

Participant		
<u>Account Balance</u>	<u>Quarterly Fee</u>	<u>Annual Fee</u>
< \$100,000.00	0.15%	0.60%
Next \$150,000.00	0.125%	0.50%
Next \$150,000.00	0.1%	0.40%
> \$400,000.00	0.075%	0.30%

Online Guidance is free, and Online Advice which gives portfolio specific recommendations is \$25 per year paid by Great-West.

VALIC - Guided Portfolio Services, managed by Ibbotson

First \$100,000: 0.60%

Next \$150,000: 0.50%

Amount over \$250,000: 0.45%

TIAA-CREF - Ibbotson services are bundled in the investment expense.

- Q13. It appears that VALIC charges 5% surrender charge for in-service transfers. If yes, please confirm.
- A13. In-plan transfers to a competing provider are assessed a 5% withdrawal charge.
- Q14. Please provide conditions or circumstances where VALIC's waiver of 5% charge is applicable.
- A14. If a participant has met a distributable event as defined by the plan, then the 5% surrender / withdrawal charge is waived.
- Q15. Why would the VALIC \$424,617,924 plan not move to a new vendor? Is it due to a concern about surrender charges? If so, please describe.
- A15. Refer to Special Provisions, paragraph 4.9 and paragraph 4.10 for detailed information. VALIC annuity assets (Plan 01) are individual contracts and will not move to a new vendor.


- Q16. Would FCPS prefer participants to have the ability to transfer ("in-service") to other carriers without a surrender charge or restriction?
A16. FCPS may take this under consideration.
- Q17. If risk based portfolio advisory services are not offered today, would FCPS be interested in offering this optional service to participants?
A17. FCPS may take this under consideration.
- Q18. Is it possible for participants to contribute and have assets at 2 or 3 different active carriers?
A18. Participants can only contribute to one carrier at a time. Currently, they can change carriers and choose to leave assets with the prior carrier.
- Q19. If a particular provider is taken over, is it expected that the new vendor will offer the same investment fund line-up or should we submit a new proposed mutual fund line up with ticker symbols so you could understand the expenses associated with them?
A19. Refer to Special Provisions, paragraph 5.1.u for this information.
- Q20. What services are currently being provided to retirees (i.e. meetings, seminars, etc.)?
A20. There are currently no retiree-specific services; however, retirees may participate in applicable services offered to active employees.
- Q21. What is the expectation of service to the retirees?
A21. There is no expectation of additional services for retirees.
- Q22. Is there a current schedule for on-site education and communication for the current vendors on the plans?
A22. There are weekly onsite visits at the school administrative centers. However, there is no set schedule for visits to schools. Printed and e-communications are distributed on an ad-hoc basis.
- Q23. Will any of the current plan assets transfer to the new vendor at the District's direction? If so, can you please provide this information regarding assets and participant count?
A23. The assets (excluding Plan 01 - VALIC) are part of a group contract and FCPS can direct the transfer of the assets to a new vendor subject to any contract provisions. However, FCPS may elect not to map any assets. The assets and participant count can be found in Special Provisions, paragraph 4.9, paragraph 4.10, and in Attachment A, vendor tabs.
- Q24. Are you looking for vendor consolidation?
A24. FCPS is not considering vendor consolidation at this time.

- Q25. How much do you want us to include as Plan Expense Credit (from Attachment B under Pricing Assumptions)? "Plan Expense Credit: The offeror must be willing and able to fund a reasonable credit appropriate to FCPS plan size, provisions, and complexity for advisory and legal services. The amount must be included in the gross, per participant fee and not an additional fee to be posted to participant accounts. The amount will be credited to an Unallocated Plan Expense Account as an asset within the Plan. The offeror must provide quarterly reconciliations of this account and have the ability to allocate to participants any amounts remaining in the account at the end of the year, at the direction of FCPS."
- A25. FCPS is requesting the vendor to determine the amount based on credit amounts provided to other plans of similar size and complexity and consistent with their pricing model and assumptions.
- Q26. Regarding foreign language education and communication materials, is there a particular language that is of importance?
- A26. Spanish and Korean are the two most utilized foreign languages in the FCPS 403(b) plan.
- Q27. Are you able to provide the number of employees by site for onsite planning purposes?
- A27. There are 242 school and administrative locations within the County, with varying numbers of employees.
- Q28. Which plan assets will map to a new provider (if selected) and which will be transferable only by individual contract exchanges?
- A28. The assets (excluding Plan 01 - VALIC) are part of a group contract and FCPS can direct the transfer of the assets to a new vendor subject to any contract provisions. However, FCPS may elect not to map any assets.
- Q29. There are \$160.7 M of assets in the VALIC Plan 01. Can you provide the amount of assets held by active participants vs. those held by terminated and retired participants?
- A29. The information is not relevant to this solicitation process.
- Q30. Can you provide the assets by plan in fixed account options?
- A30. Reference Attachment A, Existing Accounts tab:
- TIAA Stable Return Annuity (now Stable Value Annuity): \$3,308,766.41;
 - VALIC Fixed Interest Option: \$17,404,247.04;
 - Great-West Portfolio Fund: \$8,939,136.75
- Q31. What is the current crediting rate of each provider's fixed account?
- A31. Great-West Portfolio Fund is paying 3%. The actual rate that TIAA Stable Value participants are currently being credited with (until 6/30/15) is 1.70%. This represents the current Declared Rate of 2.00% applied to plans in the 1Q 2015. Current crediting rate for the VALIC Fixed Account is the standard rate + 0.25%. The standard rate for Feb, 2015 is 2.15%; FCPS' rate is 2.40%.
- Q32. What is the Guaranteed Minimum Interest Rate of each provider's fixed account?
- A32. Great-West Portfolio Fund - 3% contract floor rate; TIAA Stable Value - minimum guaranteed interest rate for the first half of 2015 is 1.00% (prior to TIAA Stable Value Contract Fees); VALIC- contractual minimum guaranteed interest rate is 2%.

- Q33. Is there overlap of participants between the various providers?
A33. Yes, there is some overlap between the current vendors.
- Q34. How many total unique participants are there?
A34. Reference Special Provisions, paragraph 4.10.
- Q35. The contract will be for a 3 year period. It is noted that the contract may be renewed at the expiration of its term by agreement of both parties. It also notes that FCPS reserves the right to renew the contract for three additional one-year periods. Please clarify that both parties have the option whether to extend the contract term.
A35. All future renewals after the initial first three years are optional and by mutual agreement of both parties. Refer to Special Provisions paragraph 2.3.
- Q36. How many days of on-site support should we include? How much support are you receiving currently?
A36. Last year, one vendor held 372 school site visits; 1776 face-to-face meetings with participants; 206 one-on-one offsite meetings with participants and spouses where a financial plan was provided; and 27 meetings/seminars.
- Q37. What is your current fee structure?
A37. It is a hard-dollar per-participant fee, with revenue sharing rebated to participants, or a basis point fee with a cap.
- Q38. Do you have a preference for the fee arrangement, such as payment per participant or as a percentage of assets?
A38. Reference Pricing Approach under Pricing Assumptions tab in Attachment B. A gross, hard-dollar per-participant fee is required, including all costs associated with implementation, conversion, administration, recordkeeping, education and trustee expenses. See the Instructions tab for additional details.
- Q39. Are there any liquidity issues such as CDSC, MVA puts or installment payments? If yes, please describe.
A39. Refer to Special Provisions, paragraph 4.10.
- Q40. Can you please confirm if every on-site representative would need to be salaried?
A40. Every on-site representative must be salaried.
- Q41. Can an asset-based fee be charged for an optional client-elected service such as professionally-managed asset allocation portfolios? Such a fee would only be charged to participants who elected the service.
A41. Yes, refer to Attachment B, Plan Charges Tab, Line 42.
- Q42. For Plan 003, does FCPS have the authority to request a transfer of assets from the existing provider(s) to the new provider, or does each participant have to request a transfer of their individual balance to the new provider?
A42. FCPS has the authority to request a transfer of VALIC Plan 003 assets from the existing provider(s) to a new provider, and participants may also elect to transfer assets to a new provider.

- Q43. Please confirm that all assets are employer-directed, except for the VALIC-Plan 01.
A43. The assets (excluding Plan 01 - VALIC) are part of a group contract and FCPS can direct the transfer of the assets to a new vendor subject to any contract provisions.
- Q44. It appears that the TIAA stable value assets are subject to a market value calculation. Given current interest rates, will the assets be moved within 90 days of discontinuance or over two years?
A44. If the rate environment has been decreasing during the reference period, the 90 day payout period will apply. If the rate environment has been increasing during the reference period, the two-year payout period will apply. For contracts less than 5 years old, the start of the reference period will be the date of issue of the contract which for FCPS was 1/23/15.
- Q45. Under VALIC-Plan 03 Annuity, what is the waiver that allows transfers to other carriers to be penalty-free?
A45. If a participant has met a distributable event as defined by the plan, then the 5% surrender/ withdrawal charge is waived.
- Q46. Are there any restrictions on the fixed assets under VALIC-Plan 03, Mutual Fund platform? What are the contract provisions?
A46. The VALIC Fixed Interest Option (contract GFA 504) offered in the FCPS 403(b) plan restricts transfers to other investment options or providers to 20 percent per year. This restriction is waived in the event of death, disability, hardship, retirement, separation from service or account annuitization.
- Q47. Please provide the total cost for advisory and legal services, which would be funded through the Plan Expense Credit for the 403b plan?
A47. The advisory and legal service fees vary from year to year.
- Q48. Please advise if you are looking for us to provide a response to each of the "Tasks to be Performed" listed in Section 5 of the Special Provisions, or provide confirmation of our ability to perform each.
A48. The tasks to be performed are the expectations of a successful offeror. A proposed deviation may be provided in attachment A, which will be a consideration in the evaluation process.
- Q49. Who is the default vendor?
A49. There is no default vendor.

All other terms and conditions remain unchanged.


Patricia S. Wilkerson, CPPO
Contracts Supervisor

THIS ADDENDUM IS ACKNOWLEDGED AND IS CONSIDERED A PART OF THE SUBJECT
REQUEST FOR PROPOSAL:

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Name of Firm	
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(Signature)	(Date)

RETURN TWO SIGNED COPIES PRIOR TO DATE/TIME OF CLOSING OR
ACCOMPANYING OFFEROR'S PROPOSAL.

*Note: SIGNATURE ON THIS ADDENDUM DOES NOT SUBSTITUTE FOR YOUR SIGNATURE ON THE
ORIGINAL PROPOSAL DOCUMENT. THE ORIGINAL PROPOSAL DOCUMENT MUST BE SIGNED.*